MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BLE2074 – LABOUR ECONOMICS

(B01)

17 OCTOBER 2015
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **TWO (2)** printed pages with **FIVE (5)** structured questions.

2. Answer only **FOUR (4)** structured questions.

3. Marks are shown at the end of each question.

ANSWER ONLY FOUR STRUCTURED QUESTIONS (100 Marks)

Question 1

(a) One of the properties of indifference curve is a downward-sloping curve that convex to the origin. Explain why the indifference curve is not a linear downward-sloping curve.

(6 marks)

(b) Describe how work-leisure preferences may influence the shape of a person's indifference curves.

(6 marks)

(c) If the slope of indifference curve is less than the budget line and the standard workday is where the slopes for both indifference curve and budget line are equal, a worker will feel underemployed. Do you agree? Explain using an appropriate diagram. What is a potential solution to the worker situation?

(13 marks)
(Total: 25 marks)

Question 2

(a) "A wage increase reduces the demand for leisure hours." Comment on this statement.

(16 marks)

(b) Efficiency wage payment is one of the major heterogeneities of jobs that create wage differentials. Discuss two circumstances that employers may find it profitable to pay wages above market clearing levels to workers possessing similar qualifications.

(9 marks)
(Total: 25 marks)

Question 3

(a) Discuss three factors that tend to make the firm's long-run employment response resulting from the wage decrease greater than the short-run response.

(15 marks)

(b) "The implementation of minimum wage policy in Malaysia decreases the market demand curve for labour in fewer amounts than what we expected (larger amounts)." Comment on this statement.

(10 marks)
(Total: 25 marks)
Continued...

Question 4

(a) How can migration be interpreted as an investment in human capital?
(8 marks)

(b) Discuss two determinants of migration.
(5 marks)

(c) Discuss two positive externalities and two negative externalities of migration.
(12 marks)
(Total: 25 marks)

Question 5

(a) Explain three conditions that make workers choose to join a labour union.
(9 marks)

(b) Discuss the difference between monopoly union model and efficient contracts model in terms of wage rate and employment level.
(16marks)
(Total: 25 marks)

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